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* **IN THE HIGH COURT OF DELHI AT NEW DELHI**

% *Date of Decision: 07.05.2025*

\+ **W.P.(C) 4986/2024 & CM No.20395/2024**

CADENCE DESIGN SYSTEMS -INDIA-PVT. LTD......Petitioner
Through: Ms Ananaya Kapoor and Mr Tarun Chanana, Advocates.

Versus

NATIONAL FACELESS ASSESSMENT CENTRE.....Respondent
Through: Mr. Sanjay Kumar, Ms. Monica Benjamin & Ms. Easha Kadian, Advs.

CORAM:
HON'BLE MR. JUSTICE VIBHU BAKHRU
HON'BLE MR. JUSTICE TEJAS KARIA

VIBHU BAKHRU, J. (*Oral*)

1. The petitioner has filed the present petition impugning the penalty order dated 04.03.2024 [**impugned order**] passed under Section 270A of the Income Tax Act, 1961 [**Act**] in respect of Assessment Year [**AY**] 2018-19. The petitioner also impugns the demand notice dated 04.03.2024 issued in respect of AY 2018-19.

2. The petitioner filed its return for AY 2018-19 on 26.11.2018, declaring a total income of ₹1,85,15,56,720/-. The petitioner's return was picked up for scrutiny and the Assessing Officer [**AO**] passed an assessment order dated 29.09.2021, *inter alia*, disallowing a sum of ₹6,40,41,000/-, being 30% of the total rental expenditure of ₹21,34,70,000/- under Section

40(a)(ia) of the Act. The AO also issued a notice under Section 274 read with Section 270A of the Act, initiating proceedings for levy of penalty.

3. The petitioner appealed against the assessment order dated 29.09.2021 before the Commissioner of Income Tax (Appeals) [**CIT(A)**], which was disposed of by an order dated 16.03.2023. The learned CIT(A) granted partial relief to the petitioner by limiting the disallowance to the rental expenditure to ₹18,52,28,719/- instead of ₹21,34,70,000/-.

4. Aggrieved by the order dated 16.03.2023, the petitioner preferred an appeal before the learned Income Tax Appellate Tribunal [**ITAT**], being ITA No.1489/Del/2023. The same was allowed by an order dated 12.03.2024 and the addition made on account of disallowance under Section 40(a)(ia) of the Act was set aside.

5. The petitioner had also raised a ground regarding initiation of penalty proceedings under Section 270A of the Act, which the learned ITAT considered premature for adjudication at that stage.

6. In the meanwhile, the AO proceeded with the penalty proceedings and did not accede to the petitioner's request to keep the said proceedings in abeyance. Pursuant to the said proceedings, the AO passed an order dated 04.03.2024 imposing penalty of ₹3,66,75,284/- under Section 270A of the Act, being 200 percent of the tax payable [200% of ₹1,83,37,642].

7. The learned counsel appearing for the Revenue states, on instructions, that the Revenue has not filed any appeal against the order dated 12.03.2024 passed by the learned ITAT deleting the additions made by the AO. She

also submits that it has been recommended that no appeal be filed. She further states that the appeal effect order could not be issued on account of certain technical glitches, which are in the process of being resolved.

8. In view of the fact that the order dated 12.03.2024 has been accepted by the Revenue and has attained finality, the penalty imposed by the AO would not survive. As noted above, the penalty has been computed at 200% of the tax payable. Since the addition, on the basis of which an allegation of misreporting was made, has been deleted by the learned ITAT, no penalty can be imposed on the petitioner.

9. In view of the above, the penalty order dated 04.03.2024 impugned in the present petition is set aside. Consequently, any demand raised pursuant to the said penalty order is also set aside.

10. The petition is allowed in the aforesaid terms. The pending application, if any, also stands disposed of.

VIBHU BAKHRU, J

TEJAS KARIA, J

MAY 07, 2025

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Click here to check corrigendum, if any